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ABSTRACT

Data from a wide range of disciplines can be used to create a paradigm describing the factors that enter into the creation of entrepreneurial events. Throughout the literature, entrepreneurial events are defined in terms of operational factors, such as initiative taking, bringing together resources, management, relative autonomy, and risk taking. These factors, together with others, provide a partial explanation for the creation of an entrepreneurial event, such as the formation of a company. The greatest reason for the creation of an entrepreneurial event seems to be a change in an individual's life path, especially in a negative direction. Two cases in point are those of refugees and of individuals who lose their jobs. Other life changes can be precipitated by dissatisfaction in a job, midlife crises, or even the opportunity for risk taking, for example, when a possible partner emerges and makes cash available. However, the fact of a life change, while precipitating some action, does not necessarily precipitate company formation. The likelihood that life changes may precipitate entrepreneurial events increases according to family background, ethnic group, peer group, previous work experience, previous life path changes, and perceptions of feasibility. Some backgrounds and ethnic cultures are more supportive of entrepreneurship than others. Thus, the paradigm suggests that entrepreneurial formations are a result of interacting situational and social-cultural factors. Each entrepreneurial event occurs in real time as the result of a dynamic process providing situational impetus that has an impact upon persons whose perceptions and values are conditioned by their social and cultural inheritance and their experience. (KC)

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SOME SOCIAL DIMENSIONS OF ENTREPRENEURSHIP

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The Ohio State University

Presented at

Conference on Entrepreneurship Research

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SOME SOCIAL DIMENSIONS OF ENTREPRENEURSHIP[1]

Albert Shapero, The Ohio State University

ABSTRACT

Which groups (social, cultural, ethnic, institutional, economic, regional, etc.) produce entrepreneurial events? Which groups produce more entrepreneurial events than others and why? What kinds of social and cultural factors and environments result in entrepreneurial events? Which factors and environments produce more entrepreneurial events than others and why? The questions posed are central to a discussion of the social dimensions of entrepreneurship for they deal with groups and with social and cultural variables. Drawing upon data from a wide range of disciplines, an effort is made to answer the questions in terms of a paradigm describing the entrepreneurial event formation-process.

INTRODUCTION

Which groups (social, cultural, ethnic, institutional, economic, regional, etc.) produce entrepreneurial events? Which groups produce more entrepreneurial events than others and why? For example, why do Jews start companies?

What kinds of social and cultural factors and environments result in entrepreneurial events? Which factors and environments produce more entrepreneurial events than others and why? For example, why do refugees in the United States start more new companies than do similar refugees in France?

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[1]Though the topic originally assigned was titled "The Sociology of Entrepreneurship," I chose the present title for three reasons: 1) modesty (I have a lot to be modest about since I am not a sociologist), 2) frustration, since each exploratory step has revealed another layer of very relevant materials and another subject area in which there is a great deal to be found concerning entrepreneurship, and 3) the need for a discipline-innocent approach.

The questions posed are central to a discussion of the social dimensions of entrepreneurship, for they deal with groups and with social and cultural variables. That the qeustions are reasonable can be established by appeal to obvious as well as less known examples. Groups associated with relatively more entrepreneurship than others include the Jews and the Lebanese, two groups with whom all Americans are certainly familiar. Sombart (1913) went so far as to attribute almost all modern capitalistic institutions to the Jews. Groups, not so familiar to those who don't study entrepreneurship, include the Ibos in Nigeria, the Antioquenos in Colombia, Parsis in India, Gujerati Indians in Africa, Bataks in Indonesia, Ilocanos in the Phillipines, and Gorokas in the New Guinea highlands. In addition, we find regional groups identified with entrepreneurship, such as the Smalanders in Sweden, the central Saudis as compared to the western Saudis, the Mendocinos in Argentina, and we find that the small and remote island of Oinusa in Greece which once had 5,000 inhabitants and how has 400 is the source of half a dozen "great shipping clans, numbering about 30 millionaire shipping families" who control one-fourth of the Greek merchant fleet, the largest in the world (N.Y. Times, 1979).

Another type of grouping is represented by refugees, who are readily identified with entrepreneurship wherever they have gone. The Cubans in the United States have founded several thousand businesses and transformed the economy of Florida. The *pieds noir* or "black feet", the displaced French colonists from Algeria, Tunisia and Morocco, have been the source of thousands of businesses in France, as have East Germans in West Germany. We can already discern the entrepreneurial efforts of the latest wave of refugees, the Indo-Chinese in the United States.

Industries and certain occupations are other forms of institutional identification, and some are noted for their company formation propensities, including the garment industry, advertising, building contracting and high-technology companies in such fields as semiconductors, instrumentation and computer software. There are economic explanations in the latter cases, but a case can also be made that they represent subcultures in which company formation has historical/regional/ethnic overtones as well as economic ones.

It is evident that social and cultural factors must have a measurable effect on the incidence and frequency of entrepreneurial events. Company formation rates are far higher in the United States than in France and Italy. The variation is partially attributable to social and cultural variations. The historical record demonstrates that refugees are more likely to start businesses than if they had remained in their home countries, and even more so in the United States than if they had gone to France, a demonstration of the effects of social and cultural environment.

There are also many clear, historical examples of social and cultural environments that have been antipathetic to entrepreneurship.

Medieval society in Europe was antipathetic to entrepreneurial events. The tenor of miedieval society was the maintenance of fixed social relationships. Everyone was identified with a particular group (nobility, church, peasantry, crafts, etc.), and each group had its "charter" which defined its role, its relationships to the other groups, its manners, its clothing, the colors it could and could not wear. To do anything to upset inter- or intra-group relationships was frowned on, and usually forbidden by law. To do anything overt to increase your clientele was forbidden. Innovation was proscribed by the guilds. Advertising was forbidden. To try to get more people to visit one's stall at a far was not allowed. To try to move from one category of society to another was wrong and legislated against. One's place in life was prescribed, and one's reward was to be found in heaven. Though the nobility spent much of their lives breaking all of the rules, they went to elaborate lengths to legitimize their activities within the norms and values of their society. There was social climbing, but it was rare and historically noticeable. We have records of the entry into the lower gentry by merchants who took advantage of some noble's need to finance a ransom or an enormous dowry for a daughter's politically useful marriage or for a chance for glory in a Crusade against the infidels.

The world is essentially "messy", and does not conform itself to the particular rigidities of a particular socio-cultural period. Hence, the formation of the entrepreneurial events necessary to deal with the unclassified and unexpected during the Middle Ages was left by default to groups that did not fit into any of the established "classes". The Jews did not fit, and took over many unclaimed or unsanctioned activities: moneylending, dealing in waste materials, innovating (the guilds forbade the use of new techniques, and the Jews were not permitted to join the guilds), advertising, cutting prices (forbidden by guilds but welcomed by customers, including the nobility), giving credit. The "outsiders" could only survive by innovating new roles or by performing roles considered outside or beneath the domain of established groups or that were illegal but necessary (and therefore just tolerated).

Efforts to answer the qeustions that have been posed about the social aspects of entrepreneurship lead, almost perforce, to an approach innocent of academic discipline orientation. No single discipline is sufficient to the task, and it is necessary to cast one's net widely beyond the obvious choices of economics, economic history and the literatures that cluster under the omnibus heading of "business administration". Some relevant materials are found in the disciplines which explicitly deal with entrepreneurship, and are found under such diverse terms as "entrepreneurship", "entrepreneurs", "entrepreneurial", "business leaders", "innovators", "capitalists", "adventurers", "factors of production", "self-employed" and even "undertakers" (a direct translation of the German term *unternehmer*). However, the trail soon leads to the literature of other disciplines and such areas as social stratification and social

mobility, occupational psychology, demography, ethnicity, mobility, occupational psychology, demography, ethnicity, mobility and migration, cultural anthropology, economic geography, bureaucracy, industrialization, the sociology of religion, personality psychology. One pauses only to realize that this only represents the outer leaves of the artichoke.

Standing back from the profusion of literatures and references, it becomes apparent that "entrepreneurship" is a label for a profound and pervasive human activity of interest to very many disciplines, but not possibly encompassed by any one of them. The academic disciplines are accidents of history, and each is bounded and consequently Procrustean. Discipline-centered approaches to the subject of entrepreneurship almost always define away parts of the subject or oversimplify it to fit existing theoretical structures. Take McClelland's definition of entrepreneurs. David McClelland is one of the most quoted writers on the subject of entrepreneurship. His discussion fits within the framework of a psychological theory. For years I accepted McClelland's theory rather uncritically, but was uncomfortable with his thesis that entrepreneurship is a function of a need for achievement. I had studied too many company formers who were in no way driven by a need for achievement, and whose behavior and attitudes would have to be tortured out of shape or ignored to make them concur with McClelland's frame of reference. One would have to resort to statistical treatments that provide significant results and explain very little of the variance or one would have to simply define segments of the data away. McClelland does the latter,

> "...I am not using the term 'entrepreneur' in the sense of 'capitalist': in fact, I should like to divorce 'entrepreneur' entirely from any connotations of ownership. An entrepreneur is someone who exercises control over production that is not just for his personal consumption. According to my definition, for example, an executive in a steel-production unit in the U.S.S.R. is an entrepreneur." (McClelland, 1971)

Now, I have no objection to McClelland defining "entrepreneurship" in any way that makes sense for him. In fact I am quite relieved to find that he and I are talking about different things.

Weber's view on the key role of the Protestant ethic in the development of capitalism and as a source of entrepreneurial drive is one that fits nicely with explanations of the economic development of the North Atlantic community, but does little to explain events in other cultures. Fleming (1979) describing the entrepreneurs of Mendoza Province in Argentina points out that they were part and parcel of the Latin American, Roman Catholic culture. How do we explain them in terms of Weber or the Japanese entrepreneurs? As Hill and Tawney point out with regard to what is a limited part of the world,

> "There is nothing in Protestantism which leads automatically to capitalism; its importance was rather that it undermined obstacles which the more rigid institutions and ceremonies of Catholicism imposed." (Hill, 1961)

> "The capitalist spirit is as old as history, and was not, as has sometimes been said, the offspring of Puritanism. But it found in certain aspects of Puritanism a tonic which braced its energies and fortified its already vigorous temper."

Another widely quoted theory is that of Hagen. Hagen explains entrepreneurship in terms of a lower status group seeking to overcome their grievances from the withdrawal of status respect by means of economic creativity and venturing. Hagen draws upon historical cases from Japan, Colombia, England and Russia, but a close examination of the cases in the light of more recent historical research leads one to question his premises and conclusions.

> "...Drawing upon the cases of Japan, Colombia, England, and Russia, Hagen argued that the leaders of the development process (ENTREPRENEURS) always come from a subdominant group or groups seeking redress of social grievances (withdrawal of status respect) through the exercise of creativity in the economic realm..." (Fleming, 1979)

However, close examination of the cases leads one to question Hagen's premises and conclusions. Fleming (1979) points out that it was the current elite in Mendoza Province in Argentina who were the major entrepreneurs. Recent historical research on the development of Japan throws cold water on the rather romantic view of displaced Samurai full of Samurai virtues. The ability to sacrifice for the enrichment of the nation and all that sort of knightly stuff, leading the entrepreneurial development of Japan for God and country. Yamamura (1978) points out that many of the so-called Samurai, on closer examination, turn out to be individuals whose Samurai origins are very doubtful; men who bought a Samurai position so that they could get jobs in the bureaucracy (something I would consider very entrepreneurial) or who were peasants who were later considered as Samurai. And in Dahmen's study of Sweden (1970) the educated upper class and upper middle class were highly represented at the beginning of Sweden's industrialization.

In Russia, another Hagen example, there were entrepreneurs who started out as members of the elite. Kaser (1978) considers three categories of entrepreneurs in the development of Russia, and identifies one as elite-entrepreneurs, members of the nobility, and a second category as serf-entrepreneurs, whom we might reasonably say were seeking status as were religious outsiders, his third category. The same has been shown for early entrepreneurship in England, where some

of the leading nobility were identified with entrepreneurial events--to supply monies for their lordly extravagances (Gough, 1969).

Another example of the way in which the conventions and categorizations of a discipline constrain the data on entrepreneurship can be found in a study of migration and social stratification in Monterrey, Mexico, perhaps one of the most entrepreneurial cities of Mexico (Balan, et al, 1973). Because the sociologists carrying out the study start with a discipline-constrained view of strata or classes of society, they lump corporate managers and owners together--after all, they are in the same class, aren't they? They dismiss street hawkers as of no interest, as do most economists and sociologists, and they state (without any supporting data) that street hawkers would take jobs if they were skilled and could get them. Would they? Not according to hawkers in one Indian city who stated that it is their independence that is of greatest value to them (N.Y. Times, 1979). Without any data in support of it, the authors state flatly that the well-paid workers in the industrial plants obviously have security, good wages and good fringe benefits, and so would not start businesses (despite the authors' own data showing that the small businessmen-entrepreneurs of Monterrey were relatively more satisfied with their lot). The conclusions reached fit more with theoretical and ideological pre-conclusions and the outlooks of tenured sociologists. Finally, the investigators really can't explain why more of their respondent businessmen started businesses in their forties when they were burdened with responsibilities.

A POSSIBLE FRAME OF REFERENCE--A PARADIGM OF THE ENTREPRENEURIAL EVENT FORMATION PROCESS

To answer the questions concerning the social dimensions of entrepreneurship, a paradigmatic approach is presented in the discussion that follows. The process by which an entrepreneurial event is formed is conceptualized as a paradigm; an effort to explain the phenomena and the data rather than to find general testable laws. It is an effort to include both the situational as well as persisting social variables and to avoid the premature closure that so often accompanies efforts at lawlike generalization.

Definitional

To achieve coherence it is necessary to sort out the many, varied conceptualizations of the terms of reference, and for each discussant to declare the particular meanings to him/her. It is not necessary to achieve consensus, but it is necessary that we know where and how we differ for meaningful exchange. The particularities of McClelland and Hagen have been mentioned, but any cursory review of the literature finds a very large diversity of definitions or implied definitions of entrepreneurs and entrepreneurship.

Gough (1969) points out that the Oxford English Dictionary defined entrepreneur in 1897 as "The director or manager of a public musical institution: one who 'gets up' entertainments, especially musical performances". It was not until the 1933 edition that business was also mentioned in terms of "one who undertakes an enterprise: especially a contractor." To early Schumpeter the entrepreneur is the individual whose function is to carry out new combinations called enterprise (1935) and to later Schumpeter, the innovator is concerned with doing new things or doing old things in a new way (1947). To Cole (1959), the entrepreneur is the individual or group of individuals who undertakes "...to initiate, maintain, or aggrandize a profit-oriented business unit for the production, or distribution of economic goods and services;" to others, the entrepreneur is variously a risk-taker (Drucker, 1965), an organization builder (Harbison and Myers, 1964), a decision maker (Harris, 1973), and in one writer's eyes the firm itself is the entrepreneur (Strauss, 1944). As economics has become more formalized, others have either ignored the subject or treated it as part of a

> "...catch-all residual factor. The latter residual, variously termed "technical change" or "coefficient of ignorance," includes, among other things, technology, education, institutional organization, and entrepreneurship." (Kilby, 1971)

This historian Gras (1947) is quoted in Gough (1969) as suggesting that today the entire concept is "largely a figment of the imagination". Gras essentially assumes that the corporate managers are today's dominant figures and that since the latter are not risk-takers, then it is not useful to employ the concept at all. We might round out our survey of definitions to point out that in France, whence came the term, in common usage it tends to mean a building contractor (usually assumed to be Italian).

In variance with past conceptualizations, I've chosen to define the unit of interest as the "entrepreneurial event" rather than the entrepreneur. Focus on the event helps avoid difficulties arising from questions of whether an individual who has carried out one entrepreneurial act in his/her lifetime is or is not an entrepreneur. It permits one to consider the one-time entrepreneur, the part-time entrepreneur as well as the repetitive entrepreneur, and to consider a large variety and number of activities that are considered "entrepreneurial" without being tied to the special features of a particular kind of individual. The event becomes the dependent variable while the individual or group that generates the event become the independent variables, as do the social, economic, political, cultural and other situational variables. It permits consideration of the many situational variables as they affect company formation, without having to relate them to a particular concept of "the entrepreneur".

Operationally, the entrepreneurial event is defined in terms pervasive throughout the literatures dealing with entrepreneurship. Each entrepreneurial event is denoted by:

1. Initiative taking--An individual or group takes the initiative.

2. Bringing together resources in organizational form to accomplish some objective (or reorganizes the resources in an existing organization).

3. Management of the organization by those who took the initiative.

4 Relative autonomy--relative freedom to dispose of and distribute resources.

5. Risk-taking--the organization's success or failure is shared by the initiators/managers.

Though innovation and innovativeness are widely associated with entrepreneurship, it is not included here as part of the definition of the entrepreneurial event. In the early Schumpeterian (1935) sense, the entrepreneurial event itself is the innovation, and there is no necessity to tie the event to new technology.

As defined here, every entrepreneurial event is denoted by all of the above listed characteristics, and it can include the one-time entrepreneur, the hawker, the promoter, intra-corporate events, some civic activities and events in countries with Socialist or planned economies. Many events partake of some of the definitional elements listed above, but not all of them. Many managers take initiative, innovate in the technological sense and even bring together resources, but if they do not personally share the risk of success or failure, or if they do not manage the organization and with a considerable degree of autonomy, they might be considered entrepreneurial or entrepreneur-like, but they have not generated a genuine entrepreneurial event.

A Suggested Paradigm of the Entrepreneurial Event Formation Process

The criteria guiding design of the paradigm are comprehensiveness and reasonableness. The paradigm attempts to include all of the entrepreneurial event types from the one-time promotion to the civic entrepreneurial event, and to include all of the variables, situational, social and individual that might be identified with the event. The criterion of reasonableness has two levels, empirical and commonsensical. The paradigm attempts to accommodate the diverse data on the subject while "making sense" to those who have taken part in the events and nonacademic observers in business and government.

There are two questions to be answered concerning each entrepreneurial event: 1) What brought about the action that led to a change from a former life path? and 2) Why this particular path, the generation of an entrepreneurial event, and not one of the myriad other actions available? From the viewpoint of this discussion, the questions are constrained by consideration of how group membership and how social

and cultural environment affected the questions of life path change and the choice of an entrepreneurial path. All of the discussion that follows hinges on the consideration of the grounds for action and the choice of a particular action rather than others.

Each entrepreneurial event is the endpoint of a process and the beginning of another. The most obvious entrepreneurial event, in the sense that few would argue as to it being an act of entrepreneurship, is the formation of a new company. In the United States there are on the order of 800,000 to 1,000,000 new company formations each year. Each new company formation is generated by an individual or a group of individuals in response to their own personal and local situations, choosing the particular path of forming a company over the many feasible alternatives open to them. Seldom can we find a case where starting a new company was the only possible alternative, even accepting the most single-minded behavioral approach. No psychological framework suggests that there is a particular need or drive for company formation even though company formation may be linked back to more generalized needs for achievement or expression.

Though each formation is a unique event, data from a large number of studies of company formation in different countries, regions, economic sectors and time periods suggest a general pattern. The pattern is highly complex and multi-variate but recognizable. First, it is important to understand that the formation process is overdetermined; that is, no single variable or factor can account for the outcome of the process. A number of factors are necessary, but no one is sufficient. Overdeterminism plus what appears to be a recognizable pattern reinforce the selection of "paradigm" rather than "model" to describe the overall pattern of entrepreneurial event formation.

The Road to Action

What brings an individual (or a group) to take any action? At one extreme there are the obvious cases of the person driven by overwhelming events such as war, political or religious persecution, loss of job. In the foregoing situations the individual is forced out of his/her present situation no matter how unwilling. At the other extreme there is the individual with no evident reason for change who opts to make a major shift in life path.

The process of change in an individual's life path can be described in terms of vectors, directed forces that keep the individual moving in a given direction at any given time. The great majority of individuals are held on a given path by the summation of vectors in their lives; a job, family situations, the powerful force of inertia in the physics sense, the collectivity of daily pushes and pulls that make up the bulk of each individual's life. It takes a powerful force in a new direction or the summation of many detracking forces before an individual is pushed to or consciously opts for a major change of life path.

There are research data that show that individuals are much more likely to take action upon negative information rather than positive, and the data on company formations support that conclusion. Negative displacements are found to precipitate far more company formations than do positive possibilities, but, in keeping with the notion of vector summation, it is often seen to be a combination of both positive and negative forces in the historical antecedents of major changes in life paths. Though displacement is most prevalent as an antecedent to changes in life style, being out of place, between things is also found in many cases.

The most extreme cases of displacement from one's inertial path are externally imposed, such as those of political and religious refugees. The refugee has little or no choice, is knocked from his/her path in life, and it is not surprising that refugees are highly identified with new company formation. Each wave of political refugees has produced its own special history of company formations in the country to which they fled. The French refugees from the former French colonies of Tunisia, Algeria and Morocco who resettled in France (Bonifay, et al, 1977), the East German refugees in West Germany, the East Indians forced out of East Africa have been responsible for the formation of a large number of new companies in their new home areas. In recent years the wave of Hungarian and Cuban refugees into the United States and now the new wave of refugees from Viet Nam have made their mark in terms of new companies. In a special report by the Bureau of Census on minority-owned businesses in the United States (Bureau of Census, 1972), which did not include all sectors of the economy, it is reported that by 1972, thirteen years after they started coming out of Cuba, the Cubans in the United States were responsible for 4,664 existing companies, 1,266 of which had paid employees and 848 of which were in construction and manufacturing. More recent reports indicate far greater numbers. A study of entrepreneurs in Lebanon (Sayigh, 1962) found that several were Palestinians and presumably refugees. Analysis of biographies of the Mexican entrepreneurs in Derossi's (1971) study shows that a noticeable percentage were refugees from Germany and Lebanon. Similar results were found in Bogota by Lipman (1969). Papanek (1962) reported whole groups of Memon Muslims who were in Pakistan as refugees from India and very entrepreneurial. More recently, the Indo-Chinese refugees into the United States have begun to show up as company formers, and, though not as well-known, the almost 1,000,000 Iranian immigrants, many of them quasi-refugees, have been responsible for many company formations, often as the only means for obtaining an immigrant visa (N.Y. Times, 1979).

Job-related displacements are far more frequent though less dramatic or visible than the cases of refugees. Being fired is a major externally-imposed displacement. Other job-related displacements include being demoted or not promoted due to organizational changes or being given a transfer to an undesired location. All of the foregoing are situations found in abundance as antecedent to a large change in one's life path. In studies of 109 company formations in Austin,

Texas (technical companies, accounting firms, publishing firms), it was found that 65 percent of the influences leading to the startup of a new company were classified as negative (Shapero, 1975). The identified influences included the following: "getting fired, "boss sold the company", "organizational changes","being transferred but did not want to leave the city", "no future", "didn't like the job".

Other studies of entrepreneurship in a great diversity of environments provide strong support for the inference that negative displacement is important in the initiation of the entrepreneurial efforts. Studies of Filipino manufacturing entrepreneurs (Carroll, 1965), Pakistani industrial entrepreneurs (Papanek, 1962), industrial entrepreneurship in the state of Madras in India (Berna, 1962), industrial and technical entrepreneurs in Northern Italy (Shapero, et al, 1973), small businessmen in the United Kingdom (Boswell, 1972), industrial entrepreneurship in Turkey (Alexander, 1960), and in Marseilles (Bonifay, et al, 1977) all report anecdotal and statistical information giving evidence of displacement. Carroll (1965) writes of the effect of the pressure of severe import controls which triggered merchants into entering the manufacturing field. Similar findings concerning the effects of import controls on industrial formations were made by Papanek, Berna and Alexander. Carroll also quotes several other instances of Filipino entrepreneurs being launched on their careers by negative displacements: having one's taxi horse taken away by the Japanese, losing one's job with the government because of the war, a family business argument, the closedown of a plant. Boswell writes of "...the emigration of frustrated men from corporations" as being a prime generator of new engineering and hosiery/knitwear firms in the United Kingdom.

Job dissatisfaction of many kinds are mentioned with great frequency by company formers, and they include boredom and what might be called technical frustration. A noticeable percentage of technical company formations come about after a technical professional or a group of technical professionals have been turned down after proposing a particular technical product or service or project to the management of the company for whom he worked at the time. Kiyonari (1976) reported creative frustration as being one of the most frequently stated causes for the spinout of technical companies in Japan. Benoit (1972) tells of a French engineer, 73 years old, who became frustrated with the use of his patents by the company he worked for, and who thereupon formed a company with two of his college classmates! The well-publicized story of Ross Perot is that he had earned the total bonus possible for an IBM salesman in any given year within the first two months of a year and because IBM was adamant in its policies, he quit to form his own company and compete with IBM.

Some displacements are internal to the entrepreneur in that they are generated without reference to anything but the passage of time. One recurring precipitator of company formations can best be referred to as "traumatic birthdays" or "magic numbers". The entrepreneur replies to the interviewer, "I realized I was going to be 40 years old within three months. It was now or never." Other such

numbers given are 30 years old or 50 years old. Internally generated displacement related to perceptions of the passage of time has been also described as the mid-life crisis; a period in middle life, defined differently by different writers, in which there is large disaffection with one's life, and which, in recent years, has led to the phenomenon of "dropping out" and into a variety of life paths quite different from those pursued to date. Evidence for the existence and power of this period of crisis is found in a variety of sources.

The state of being out-of-place or between-things often precedes the formation of a compny by a nascent entrepreneur. One is out-of-place or not-in-place and therefore more likely to start a new venture upon discharge from military service, on completion of studies, or upon completion of a project. There is one study of 22 ex-offenders who started their own companies when they were paroled from prison (Jansyn, et al, 1969), a between-things condition. Another such semi-displacement or non-emplacement is popularly identified as the "empty-nest" syndrome experienced by the wife/mother whose children have grown and left home. Every U.S. city is witness to the middle-class, middle-years former housewife now acting as a real estate broker (Shapero, 1980).

Voluntary migrants rank high as company founders. Derossi's Mexican entrepreneurs included a high percentage of first generation immigrants and their heirs. Derossi also mentions similar findings reported from other Latin American countries (Lipman, 1965; Zalduendo, 1963). The voluntary migrant, whether migrating to escape some negative situation (negative displacement) or to exploit perceived opportunities, is a voluntarily displaced person; a person who is out-of-place for some timer period. The data mildly support a speculation that the more the migrant is out-of-place in his new environment, the more likely it is that he might start an independent venture. Derossi's study shows little or no entrepreneurship displayed by refugees from the Spanish Civil War who fled to Mexico which might be attributable to their education in the liberal professions and their language. It appears that the Spanish professionals found themselves easily in place in Mexican society in terms of professional opportunity and common language.

The migrants among the Bogota entrepreneurs in Lipman's study (1969) made up 69 percent of his sample. Migrants made up 35 percent of the entrepreneurs in the Marseilles study (Bonifay, et al, 1977), 28 percent of the Lebanese entrepreneurs in Sayigh's study (1962), 90 percent plus of the sample in a study of Liberian entrepreneurs (Ross, 1971), a high percentage in the studies of Mendozan entrepreneurs in Argentina (Fleming, 1979) and in the studies of Indian entrepreneurs (Koppel and Peterson, 1975).

Though negative displacements predominate, there are many positive "pulls" that lead to the startup of a business. The offer of financial support by someone who encourages the formation of a company is not unheard of. More often reported is the unexpected offer of a

contract by a would-be customer who encourages the formation of a company. Typically, in the latter cases, the contract is offered to a technical man for research, or to a competent professional or technician for services, and even to a salesman for a kind of product that he can have made or can begin to manufacture himself. Another major pull is an offer of partnership by a friend, a work colleague or even a customer. In many instances the subject of posi ive "pulls" into business reports that he had had no idea of going into business when the offer came.[2]

Given two refugees, apparently equally displaced, does not mean parallel responses necessarily. Not everyone perceives events in the same way or takes an equal amount of initiative. On becoming a refugee or being fired from one's job, the displacement is unequivocal. In most other circumstances the events are matters of perception and interpretation by the individual, and it is here that psychological differences may help to explain subsequent responses. However, the subject of the psychological attributes of entrepreneurs is discussed elsewhere in this volume. (See Brockhouse)

The Action Taken

Once the road to action has been travelled, why is one action taken rather than the many other conceivable actions that are available to the individual? It is here that social and cultural environments have greatest effect. Perceptions of desirability and perceptions of feasibility are products of culture and social environments, and it is these perceptions that help determine the actions seriously considered and the actions taken (Lousch, 1979).

The particular action taken by an individual in a major shift from one life path to another is a product of the situational and of socially and culturally implanted predispositions. Another way to put it is as follows: An individual's perception of what he/she might do is a resultant of perceptions of desirability and feasibility. A college graduate may know it is feasible to obtain a job as a plumber at more salary than can be expected from a career as a social worker;

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[2]In my own field research only one of the hundreds of entrepreneurs interviewed claimed to have planned a step-by-step process leading to the formation of a business, though many reported that they had often thought of it. It is highly likely that a very large percentage of Americans have thought of being in business for themselves, perhaps on the order of 75 percent or more. A survey in France reported that well over 30 percent of all those surveyed would like to be in business for themselves regardless of political affiliation. The thought is widespread, and I suspect that the differences have something to do with cultural and social variations in how company formation is perceived in terms of desirability and feasibility.

however, because of socially determined values (concepts of the desirable), he/she would not even consider or examine such a possibility. I may find it desirable to have a career as a professional athlete, but it never enters my mind as a feasible choice. Of course, desirability and feasibility are not completely separable for what we consider feasible may influence our decisions of what is desirable, but for purposes of explanation they will be treated separately in the discussion that follows. (See Figure 1.)

Perceptions of Desirability (Values)

The social and cultural factors that enter into the formation of entrepreneurial events are most felt through the formation of the values of individuals within a particular culture or social system. More specifically, a culture or social system that places a high value on the formation of new ventures of all kinds will eventuate in more individuals choosing to form new ventures when the situation leads to a new life path. At a less specific but no less influential level, a culture or social system that places high value on such behaviors as innovation, initiative-taking, risk-taking and the achievement of independence is more likely to eventuate in a higher formation rate of entrepreneurial events than one that does not. To examine what affects concepts of the desirable, as they influence the choice of a path that leads to company formation, we can use data on the families, peer groups, ethnic identities, educational and work experiences of entrepreneurs.

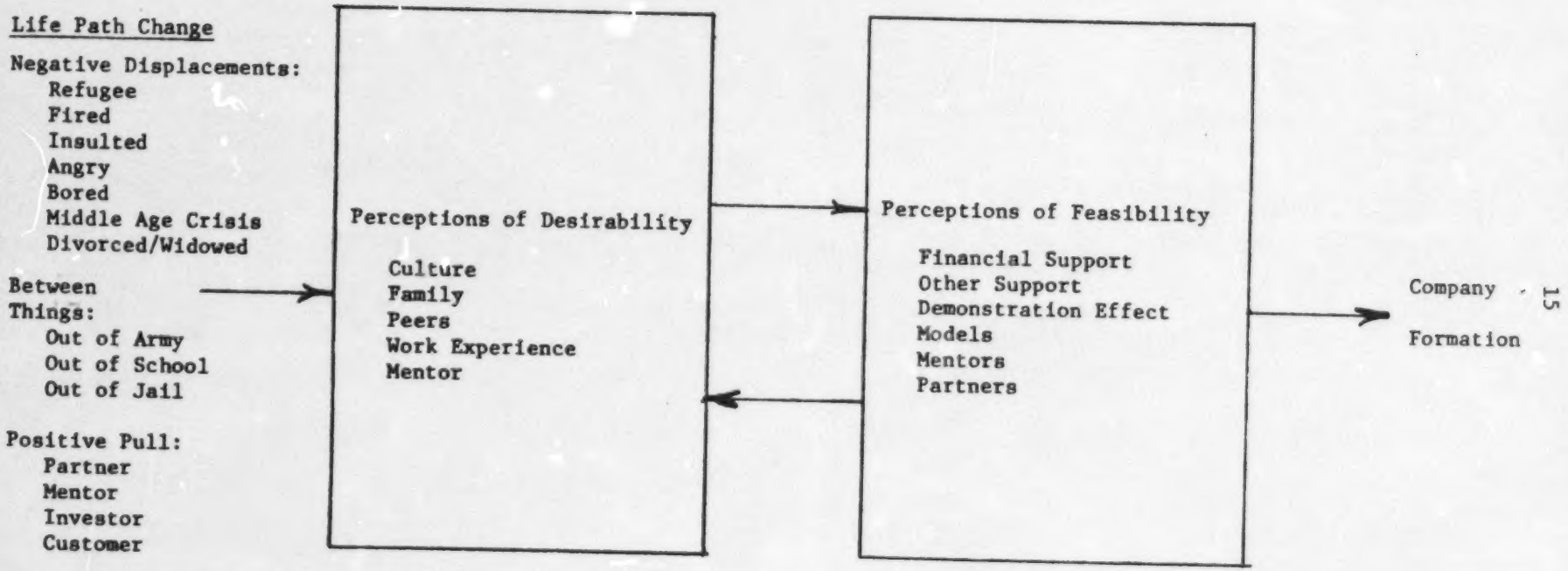
Family

The family, particularly father or mother, plays the most powerful role in establishing the desirability and credibility (feasibility) of entrepreneurial actions for an individual. Studies of company formations in a variety of industries and locations in the United States place the percentage of company formers found to have fathers/mothers who were independent (company owners, free professionals, independent artisans or farmers) between 50 to 58 percent. This compares with a census count of less than 12 percent of the U.S. population listed as self-employed. In a Northern Italian study (Shapero, et al, 1973), the percentage of entrepreneurs with independent parents was 56 percent. In Carroll's study of Filipino manufacturing entrepreneurs, the percentage was 74 percent; in Marris and Somerset's study of Kenyan entrepreneurs, 80 percent; and in Harris's study of Nigerian entrepreneurs, almost 89 percent.

The data follow the same pattern in study after study and in culture after culture. Of Lipman's Bogotan entrepreneurs, 61 percent had independent fathers; Roubidoux's Quebecans, 68 percent; Sayigh's Lebanese entrepreneurs, 74 percent; Hammeed's Sudanese industrial entrepreneurs (1974), 70 percent; and Finney's Gorokans of New Guinea show a high incidence of fathers who could be interpreted to be relatively independent in terms of tribal position. Borland (1974) found that the variable most positively associated with a business student's declared expectation or desire to start a company was whether

FIGURE 1

ENTREPRENEURIAL EVENT FORMATION PROCESS



the student's father had been an independent businessman, farmer, professional or artisan. Only one of 75 girls in Borland's sample expected to start a company.

The credible model or example is not necessarily one that is consciously followed. In a study of technical entrepreneurs by Susbauer (1969), those entrepreneurs whose fathers had been independent were asked if their fathers had been their models or had encouraged them to start a company. The usual answer was that their fathers told them never to start a company, and/or that their fathers had been unsuccessful; yet the prevalence of independent fathers in the sample was high.

Peers

Though father or mother stand out as the major credible examples of entrepreneurship, there are many other sources of potential examples for the nascent entrepreneur. It might be inferred that the larger the number and variety of examples in a particular culture, country or locale, the greater the probability that the company-formation act will be credible to a larger number of individuals in that culture, country or locale. This may well explain the differences in proportionate role of parental example in different countries (U.S. 50 to 58 percent vs. African 80 to 89 percent).

Other credible examples include relatives, colleagues and classmates. Frequently, we find precedent entrepreneurial formations by a brother, uncle, grandfather, classmate or colleague. When a corporate vice president breaks away to form a new company, this does not make the company-formation act credible to his many subordinates. However, when a group of engineers, far down in the organizational line, break away to form a company, their colleagues are much more likely to follow their example (Draheim, et al, 1966).

Previous Work Experience

In Cooper's study of technical company formations in the San Francisco area (Cooper, 1971), he found that new company formations were more likely to originate from small corporate divisions than from large ones. Cooper calls the small divisions "incubators". A small firm provides a close view of the man who formed or headed the firms, a man who in many cases is very much like themselves. In the small organization context it becomes possible for the potential entrepreneur to see the role of company head as credible for himself.

Many of the entrepreneurs studied were found to have formed more than one company, and many had experienced previous business failures. Failures apparently do not shake the credibility of the company-formation act, but may even appear to reinforce the credibility of the act to the entrepreneur (as well as serving as a learning experience).

Ethnic Groups

It is no accident that entrepreneurship is identified highly with certain ethnic groups; Jews, Lebanese, Ibos in Nigeria, Jains and Parsis in India, Gujeratis in East Africa. Each of these ethnic groups contains a large number of examples of company formation that established the credibility of the company-formation act for members of the group. In the case of the Jews, two thousand years of refugee status (displacement) and the presence of a large number of credible examples make the company-formation act almost an expected role.

Overseas Chinese are highly entrepreneurial. In the United States approximately 40 percent of the Chinese-Americans are in business as are a similarly high percentage of the American-Japanese. Overseas Chinese are found to be heavily engaged in business wherever they are found, and in Southeast Asia it is considered a political problem in Indo-China, Malaysia and the Phillipines. Strong feelings against the Chinese merchants have made it a primary issue in some developing countries. In Peru where there is a small Chinese community relative to the total population, the descendants of 10,000 Chinese brought in by an American engineer to build the railroads have been the source of what is now considered one of the two mainstreams of restaurant cuisine in Lima, the *chifas*.

Previous Life Path Changes

The role of voluntary migrants in the formation of entrepreneurial events has already been mentioned with regard to the effects of displacement in the initiation of changes of life path. Migration is a major life path change that serves to make a second change of life path credible as does any successful previous change. It appears that a personal experience with a major change in life path, even when it fails, changes perceptions of the credibility and perhaps even feasibility of another change.

The identification of particular ethnic or subcultural groups with a high rate of company formations suggests a high value placed on independence, initiative-taking, risk-taking, innovation by those particular groups; thus, it is not surprising to also find a high percentage of entrepreneurs from those groups having fathers who had also been independent. In addition to the likelihood that the groups mentioned put a high value on the requisite actions and outlooks, there is also the important element of being able to see others like oneself who had formed businesses.

In interviews with entrepreneurs in South Africa, Italy, Brazil, and in various parts of the United States, respondents have often commented about others like themselves, "If he could do it, I knew I could too!" The comments were replicated in many contexts. "I saw the boss every day. I did everything he did but take home the profits. If he could do it..." "I had this classmate in high school who has a prosperous company. Why he was stupid! If he could do it..."

The same was heard with regard to work peers, relatives and observed strangers. In each of the above cases it would seem that it helped to see someone like oneself who one could look down on--not up to--to establish the credibility of the act.

Another powerful influence on the perceptions of the nascent entrepreneur is that of a mentor. The mentor plays the part of convincing, assuring, instructing the nascent entrepreneur, thus making the entrepreneurial event both desirable and feasible. Unlike the peer who one can look down on, the mentor is someone respected and looked up to. When I asked a South African black businessman how he happened to go into business, he told me he had worked for a Jewish businessman who told him he could do it. The same was heard from an Ohio college graduate who was convinced by an elderly, respected friend that he could do it. In the New Guinea cases discussed by Finney, the presence of the mentor is clearly perceived; Gorokans had served during World War II on lonely outposts with white men who had subsequently convinced them that they could do it. Extension agents, teachers, respected elderly friends, all play the powerful role of mentor in establishing perceptions of desirability, credibility and feasibility with regard to entrepreneurial formations.

Perceptions of Feasibility

Perceptions of desirability and perceptions of feasibility necessarily interact as has been amply suggested in the discussion of the roles of peers and mentors in establishing the desirability of forming one's own company. If one perceives the formation of a company as unfeasible, one may conclude it is undesirable. If one perceives the act as undesirable, one may never consider its feasibility.

The general or specific availability of financial support for entrepreneurial activities directly influences the propensity to form companies. More companies form in times when financial resources are readily available in a given community. The particular way in which financial support is made available also plays an important role. The data show that the great majority (on the order of 99.99-plus percent) of all company startups use capital from personal savings and borrowings, particularly from relatives. After personal sources, private individuals from the local community are the major source of financial support. The influence of family and ethnic group is demonstrated in the relative readiness to provide the financial support needed. Some ethnic gtoups have developed financial institutions to support the formation of new businesses. Chinese immigrants to the United States used an institution known as *hui*, (Peterson, 1978); the Japanese brought with them a similar institution known as *tanomoshiko* or *moujin*, in which workers pooled monies monthly on a subscription basis to be given as loans to their compatriots who wanted to start a business or to be raffled off as a prize until each contributor had had an opportunity to start a business (Light, 1972). American-Jewish communities often formed free loan associations to help new immigrants with loans, particularly to start their own businesses.

In many immigrant groups in the United States and in other countries, there is a practice of hiring a new immigrant and then helping him to move on and start his own similar business; Greek restaurateurs in the United States and Portuguese greengrocers in South Africa are two such examples. In 19th-century New Mexico, German-Jewish traders with the Indians took new immigrants as employees, helped them learn the trading post business, and then helped finance them in a new trading post "further on".

Would-be partners often transform the vague possibility of someday starting a business into action. A would-be partner often pulls a nascent entrepreneur into the act by providing funding, moral support, labor, a necessary skill, and shared risk. The would-be partner may even originate and stir up the entire notion of starting a business which may never have occurred to his associate. In a study of executive mobility I found far more group formations among technical companies (on the order of 26 percent) than among other kinds of companies. One might attribute the difference to the risky shift phenomenon which suggests that groups are more likely to make risky decisions than the individuals by themselves. There is far less apparent risk in starting a company to carry out well known manufacturing or service processes than there is in a high-technology company, hence the greater need for associates to provide support where uncertainty is high. Again, we can see an overlap between desirability and feasibility. A partner who is a friend may also provide an element of desirability to the act of being together in business.

Many kinds of agencies provide support that enhances the apparent feasibility of starting a new business. The many efforts of the Small Business Administration in terms of advice, consultation, education and financial support as well as those of many other public and private agencies that undertake to help new and small businesses play a role in making the act feasible to the potential entrepreneur. One might include popular journal article and press items describing imparted knowledge which can remove some of the perceived uncertainty and teachers can play the important role of mentor.

EXAMINING THE CENTRAL QUESTIONS IN TERMS OF THE PARADIGM

The questions of which groups produce entrepreneurial events and what kinds of social and cultural factors and environments produce more entrepreneurial events than others can be addressed in terms of the proposed paradigm. The paradigm suggests that entrepreneurial formations are a resultant of interacting situational and social-cultural factors. Each entrepreneurial event occurs in real time as the result of a dynamic process that provides situational impetus that impacts upon individuals whose perceptions and values are conditioned by their social and cultural inheritance and experience.

The utility of the proposed paradigm is in its application to questions of policy and to explanation of historical examples. In

terms of policy, the paradigm suggests that efforts to make the entrepreneurial event formation process credible to the nascent entrepreneur are necessary and should even precede the usual policy of offering financial support. Credibility is a function of seeing others like yourself of whom you can say, "If he can do it, I can!", which suggests exposure to those nearer to where you are than exposure to great successes with whom you cannot identify. It suggests that programs that pride themselves on discouraging the "wrong" candidates are misguided in their assumption of a given "right" candidate since perceptions of desirability and feasibility can be modified.

In terms of explanation the proposed paradigm provides a way of plausibly explaining why some ethnic sub-groups are more entrepreneurial than others within the larger ethnic entity. Why are West Indian blacks in the United States significantly more represented among those blacks who are considered entrepreneurial? They come from the same root areas of Africa. In New York where the children of West Indians have the same educational advantages as their peers, they are still more highly entrepreneurial than their peers (Sowell, 1978). One explanation is that in the West Indies the slave population was 90 percent of the total population. They grew their own food, and marketed their surplus. They did not compete with a white working class, and were thus able to develop in all trades. In the West Indies, the black population had visible examples of entrepreneurship that made the act credible. The preponderance of blacks in the population made it possible for blacks to carry out all kinds of economic activities which also added to feasibility. By contrast, in the United States the black was surrounded by the white population and competed with a white working class. The price of a slave was equivalent to that of a house, and slave owners paid close attention to what they did and how they did it, allowing little room for independent actions. In the deep South, there were laws forbidding the presence of free blacks. and forbidding education for slaves, thus deliberately removing sources of credibility and feasibility.

Many more questions can be used to exercise the paradigm, but space here is limited, and I will only suggest some questions that are not easily answered as starting points for research:

What are the effects of the legislation for equal opportunity for minorities and women on the rate of entrepreneurial formations? Will the laws initially decrease formations by siphoning off the most capable into large corporations and government? There is some evidence that young Chinese-Americans are going into government rather than business; government position has always had a high value in the Chinese culture. Will there be some years of integration and gaining of experience to be followed by displacement induced company formations?

What is the effect of business school education on entrepreneurship? Does it convey the idea that small business is not a desirable place to be ("a Mom and Pop business"), and that, furthermore, it is unfeasible since it is doomed to failure? Is a business school education, particularly a "good" one from a major business school,

associated with a decrease in the probability that its product will start a business?

Why do the children of entrepreneurs become professionals in large organizations rather than enter the family business, and why do many parents who are entrepreneurs encourage the shift? Is it associated with the previous question or is it a general cultural bias in favor of the professions?

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